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Brian C McNeil
Executive Director
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007-2927

AZ CORP COMMISSION
DOCUMENT CONTROL

Re: Docket No: W-01782A-05-0236

April 26, 2006

Dear Mr. McNeil,

I would like to respectfully request that you reconsider Staff's position on our application. I ask that you support Staff's recommendations that the Commission grant Abra Water Co., Inc. the authority to borrow an amount not to exceed \$250,000.00, page 6, paragraph A, Lines 1-5.

The Company has applied for funds to meet federally mandated water quality standards. The money being borrowed is not for the purpose of increasing the value of the water company or to expand the economic value of the company. The money is not intended to increase the company's ability to serve more customers or to meet the demands of the current customers or the company. The loan is required to meet the federally imposed requirement.

This new mandated requirement has forced the water company to lose one of its production wells and its capacity. The company and customers cannot afford to install an additional arsenic system for this well which would cost approximately \$350,000.00. This well has an arsenic level of over 30 ppb. This mandate is costing the customers a tremendous amount of money now and in the future. In the next several years, a new well will need to be drilled and equipped next to the proposed arsenic removal system and the arsenic removal system capacity increased.

The Company submitted this financing application over a year ago when the original price on the arsenic removal system was \$193,664.00. Due to the delay of approval, the current cost is now \$220,830.79, a \$27,166.79 increase which the customers will pay for in a rate increase.

The Company will also need to pay an increase in building costs due to the delay. The original bid for the building totaled \$42,350.00. The new bid is \$52,750.00, a cost increase of \$10,400.00.

The pump costs have also increased from \$15,828.85 to \$33,425.58, an increase of \$17,596.73. This amount includes two 250 gpm booster pumps that are now needed due to the decreased pumping flow caused by the arsenic treatment plant and to compensate for the loss of the backup well.

The original cost totaled \$263,634.00. The current cost totals \$318,799.13. The increased difference to the customers and company due to the delay is \$55,165.13.

If the company is granted Staff's recommendation to borrow \$250,000.00, it would still require issuance of equity capital of \$68,799.13. If the company is not granted Staff's recommendation, then it would require an equity capital infusion of \$92,165.13.

According to the Staff and our accountant, the company can service a WIFA loan for \$250,000.00. With the amount of \$68,799.13 equity capital infused into the company based on the new costs and with a loan of \$250,000.00, it will change the capital structure. The capital percentage should change to 32.5 %, the long term debt percentage would change to 65.7%, and the short term to 1.8 %. These percentages exceed the acceptable percentages of the staff report of 30%, 68.1%, and 1.9% respectively.

The increased costs concern us based upon the effect it will have upon our customers. After our last rate increase in 2003, several customers who have larger parcels drilled their own wells and disconnected from the system due to the rising costs associated with increased regulations and inflation. Just last week another customer drilled a well and stopped service with us. One customer drilled his own well right in the middle of our CC&N area and connected 10 houses because he did not want to pay the costs associated with the company. He has structured the cost for providing water to his renters into his monthly rental charges, avoiding any violation of state law. None of these houses are being served by the company with treated, regulated water.

Current state laws and ADWR rules prevent us from prohibiting these events even though it is within our CC&N boundaries. Even the Corporation Commission has caused unnecessary expenditures by recently re-issuing CC&Ns to another water company over the top of our CC&Ns requiring us to hire an attorney and spend revenue money to protect our area. We are concerned that if regulations continue to drive up costs, many more of our customers will drill private wells and will be consuming water that may not meet water quality standards. Well water that is not treated and tested is a fraction of the cost of the water that regulated water companies provide. It is hard to compete when the playing field and rules are not the same.

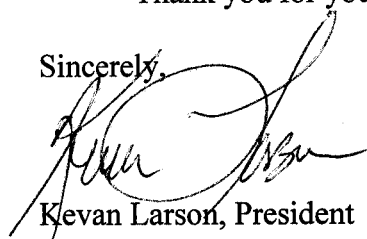
As you know, water companies are a poor investment. This company is in its 46th year and has never paid any return on investment or stock dividend. We do not foresee any return of investment in the near future due to increased restrictions and regulations. What is the incentive for a potential investor or new stockholder to invest in

something that has no return? The investor is better off putting their money in a regular checking account at current interest rates for return.

We respectfully request that you reconsider our application and that you approve Staff's recommendations that the commission grant Abra Water Co., Inc. the authority to borrow an amount not to exceed \$250,000.00.

Thank you for your time in this matter.

Sincerely,

A handwritten signature in black ink, appearing to read 'Kevan Larson', is written over a large, circular, light-colored stamp or watermark.

Kevan Larson, President